

CITY STORES COMPANY
and
Subsidiary Companies



Annual Report

To Stockholders
for the period from
February 1, 1933 to
January 31, 1934

BOARDS
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CITY STORES COMPANY



DIRECTORS

JOSEPH E. COHN	Newark, N. J.
SAUL COHN	Newark, N. J.
ALBERT M. GREENFIELD	Philadelphia, Pa.
WALTER T. GROSSCUP	Philadelphia, Pa.
DONALD A. HENDERSON	New York, N. Y.
GEORGE H. JOHNSON	Philadelphia, Pa.
LENARD B. KEIFFER	New York, N. Y.
EDGAR M. LEVENTRITT	New York, N. Y.
JOSEPH H. LOVEMAN	Birmingham, Ala.
ERNEST W. NIVER	New York, N. Y.
PAUL H. SAUNDERS	New Orleans, La.
HERBERT J. SCHWARTZ	New Orleans, La.
HARRY G. SUNDHEIM	Philadelphia, Pa.
ROBERT SZOLD	New York, N. Y.
BENJAMIN S. WASHER	Louisville, Ky.

OFFICERS

ALBERT M. GREENFIELD	<i>Chairman of the Board</i>
PAUL H. SAUNDERS	<i>President</i>
SAUL COHN	<i>Executive Vice President</i>
LENARD B. KEIFFER	<i>Treasurer and Asst. Secretary</i>
JOSEPH E. COHN	<i>Secretary and Asst. Treasurer</i>

TRANSFER AGENTS

For Class "A" and Common Stock	CENTRAL HANOVER BK. & TRUST CO. 70 Broadway, New York, N. Y.
For Class "A" and Common Voting Trust Certificates	GUARANTY TRUST CO. OF N. Y. 140 Broadway, New York, N. Y.

REGISTRAR AGENTS

For Class "A" and Common Stock	CHASE NATIONAL BANK 11 Broad Street, New York, N. Y.
For Class "A" and Common Voting Trust Certificates	CENTRAL HANOVER BK. & TRUST CO. 70 Broadway, New York, N. Y.

AUDITORS

Ernst & Ernst	19 Rector St., New York, N. Y.
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Annual Report of
CITY STORES COMPANY
and Subsidiary Companies
January 31, 1934

New York, April 21, 1934.

To the Stockholders of

CITY STORES COMPANY:

THERE is submitted herewith the annual report of your Company for the fiscal year ended January 31, 1934, together with the report of Messrs. Ernst & Ernst, independent auditors.

FINANCIAL CONDITION

Included in this report is a consolidated balance sheet of City Stores Company and Subsidiaries at January 31, 1934 (Exhibit II), and also, as in the case of the past two years, separate balance sheets of each of these subsidiary companies as of the same date (Exhibits VI to XIV inclusive).

For the further information of stockholders, there is also submitted herewith a condensed balance sheet of City Stores Company, parent holding company, at January 31, 1934, together with comparative figures at the end of each of the three preceding fiscal years (Exhibit I.) This statement is given in order that the stockholders of City Stores Company, which is a holding company, may have a clear understanding of its financial status and its direct resources during this period.

During the years 1928 and 1930, certain items of land and buildings owned by subsidiary companies were written up and shown in financial statements at appraised values determined at that time. Deeming it advisable to show these assets on the basis of cost, the Boards of Directors of the respective companies have authorized the elimination of such appraisal increases and the accompanying balance sheets are presented on that basis. Adjustments in this respect (not including a similar item for Lit Brothers of \$8,092,848.49 heretofore eliminated as set forth below and of which \$5,552,260.57

applied to City Stores Company proportion) aggregated \$4,502,734.48 and have reduced the capital surplus on the consolidated balance sheet to the sum of \$628,658.40.

During the past year the collateral 6% notes outstanding in the amount of \$10,000,000.00 were renewed from time to time, and subsequent to January 31, 1934 have been extended to May 1, 1934. In this connection, 1,666 shares of Class "A" Preferred stock and 50,000 shares of Common stock were issued during the past year pursuant to the agreement dated January 13, 1932 made by the Board of Directors with the noteholders and reported to stockholders under date of February 6, 1932.

Physical inventories of merchandise on hand at January 31, 1934 were taken under the supervision of Messrs. Ernst & Ernst, independent auditors, who also made extensive checks of the physical quantities at each store. As stated in each of the accompanying balance sheets, the resulting inventories have been valued by the local store managements at retail less accumulated departmental markup with such reserves as were found desirable by said managements to reduce the book value of merchandise purchased in prior seasons to estimated present replacement cost and value. The fiscal year of the Company ended at a time when commodity values were fairly stable with an upward tendency; nevertheless, the managements of the various stores followed a policy of pricing the inventories on this basis, (which is equivalent to cost or fair replacement value whichever is lower) and have maintained reserves which they believe to be sufficient.

The accompanying balance sheets, prepared as of the close of business on January 31, 1934, do not take into consideration the destruction by fire of the building, fixtures and stock of merchandise of the Loveman, Joseph & Loeb store which occurred on March 10, 1934 and which is mentioned later in this report.

CONSOLIDATED RESULTS OF OPERATIONS

As stated in the annexed condensed income account (Exhibit III), the results of operations for the fiscal year ended January 31, 1934 on a consolidated basis, before deducting interest, depreciation and sundry charges, show a profit of \$1,385,389.85, compared with a profit of \$163,488.52 for the fiscal year ended January 31, 1933 and a loss of \$50,808.20 for the fiscal year ended February 1, 1932. Charges for depreciation, interest, minority interest proportion, etc. for the fiscal year ended January 31, 1934 bring the result to a loss for the year of \$750,811.16, compared with a loss of \$1,798,349.14 for the fiscal year ended January 31, 1933 and a loss of \$2,278,080.36 for the fiscal year ended February 1, 1932, all as shown in the accompanying comparative consolidated income account.

Notwithstanding the unusually unfavorable general conditions existing in the first six months' period, net sales of the combined units for the year were slightly higher than those for the preceding fiscal year, thus changing the downward trend which had continued for more than three years. The last six months of the fiscal year showed an increase in both sales and in commodity prices which enabled the different units, with the exception of one, to more than recoup the losses incurred in the first six months'

period. The operating profits were, of course, affected by the regulations of NRA with its increase in operating expenses, but this perhaps has been counterbalanced by the checking of decline in commodity prices and some increases in buying power. Notwithstanding some unavoidable increases in expenses there has been a further decline in our total operating costs as reflected in the accompanying comparative income statement.

The store properties of the various subsidiaries have been further improved during the past fiscal year, capital expenditures in this connection aggregating \$540,628.16. Of this sum \$180,734.02 was expended by Maison Blanche Company and Maison Blanche Realty Company in connection with the installation of a cooling system on all selling floors and the rearrangement of selling and office space, and \$288,125.98 was expended by Lit Brothers, Philadelphia, covering rather extensive alterations and improvements which were completed during the past year. Of the latter expenditures, \$60,000.00 has been charged to its surplus account. Rates of depreciation have been carefully considered with regard to furniture and fixtures and have been adjusted to rates fixed by the Board of Directors of the different companies with due regard to age, nature and useful life. These rates have been reduced in the case of Loveman, Joseph & Loeb, Maison Blanche Company, Kaufman-Straus Company, Inc. and Goerke-Kirch Company to 7½% and for B. Lowenstein & Bros., Inc. to 5%, all on the net book value of the assets at February 1, 1932 as used in the fiscal year ended January 31, 1933. No change has been made in the rates of depreciation on buildings. With regard to Lit Brothers, depreciation allowance has again been provided as in the past at rates approved by the U. S. Internal Revenue Department. The total amount written off for depreciation and amortization in the fiscal year ended January 31, 1934 is \$401,021.72 as compared with \$417,652.83 for the preceding fiscal year.

OPERATIONS OF INDIVIDUAL UNITS

Special attention of the stockholders is called to the separate statements of each unit of City Stores Company for a better understanding of the investment of the parent company therein. For convenience, there is submitted below a comparative statement giving the results of operations of the store operating companies and Maison Blanche Realty Company for the last two fiscal years, after deducting all charges applicable thereto, including depreciation.

	Profit or <i>Loss</i> For Fiscal Year Ended January 31	
	1934	1933
Goerke-Kirch Company.....	\$ 94,515.76	\$ 74,671.78
Kaufman-Straus Co., Inc.....	2,941.73	50,784.44
Lit Brothers and Subsidiaries.....	49,454.23	436,439.47
Loveman, Joseph & Loeb.....	77,428.75	199,826.08
B. Lowenstein & Bros., Inc.....	* 22,202.54	223,090.00
Maison Blanche Company (Excluding Dividends from Maison Blanche Realty Company)	102,960.10	122,166.85
Maison Blanche Realty Company.....	54,258.21	119,877.69

* Under an agreement with lessor, the rental for store premises for year ended January 31, 1934 was reduced to a fixed sum, plus all net earnings up to \$30,000.00. Under this arrangement, the above net earnings for that year in the amount of \$22,202.54 have been appropriated as additional rental in full satisfaction of lease requirements for that period, resulting in a material rental reduction from the original lease contract.

It will be noted that one of the units (Goerke-Kirch Company) showed a loss from operations during the past year. Many factors contributed to this result, the most important of which is the lease contract. This provides for a rental of \$80,000.00 per annum plus taxes, which is out of proportion to the total volume transacted by this store.

PARENT COMPANY OPERATIONS

The cost of operations of the New York office has been met by charges prorated over the store units. These expenses amounted to \$128,275.05 and consisted of salaries for the official staff, resident buying organization, rent, legal expenses, and sundry items.

The increase in the distributable profits of the subsidiary companies, available for dividends to City Stores Company, was not sufficient to meet the interest and cash renewal charges of approximately \$800,000.00 on the \$10,000,000.00 of City Stores Company funded indebtedness outstanding throughout the year. Stockholders will recall that the arrangements in respect to this indebtedness were provided in the agreement with the Noteholders, dated January 13, 1932, previously mentioned.

The charges arising out of the \$10,000,000.00 collateral 6% notes for interest and renewal charges since December 1, 1932 have been met with the consent of the noteholders, by demand notes with the exception of \$150,000.00 which was paid in cash on account of these interest and renewal charges. Of this amount, approximately \$120,000.00 was received through dividends from Maison Blanche Company and Maison Blanche Realty Company and \$20,000.00 from City Stores Mercantile Company. The balance was provided from the cash of City Stores Company.

As noted in the balance sheet of City Stores Company at January 31, 1934, there are outstanding demand notes payable amounting to \$559,585.92 for interest and compensation in connection with renewal of the collateral 6% notes. In addition to this, there were executed on February 1, 1934 similar notes amounting to \$347,162.68 covering interest on the collateral notes for the period from August 1, 1933 to February 1, 1934 and renewal charges for the period from February 1, 1934 to May 1, 1934. These items which included interest accrued on demand notes to February 1, 1934, less cash payment together with the principal of the collateral 6% notes of \$10,000,000.00 and the interest thereon from February 1, 1934 to May 1, 1934 make a total of \$10,940,952.36 of obligations which will mature on May 1, 1934.

LOVEMAN, JOSEPH & LOEB FIRE

On the afternoon of March 10, 1934, the store premises of the above company located in Birmingham, Ala., were destroyed by fire. It is believed that the loss is adequately covered by insurance. In addition thereto the company carries use and occupancy insurance which will in part compensate the company for losses incident to the reestablishment of its business. A new location has been rented for one year in a building 100 by 100 feet, five stories and basement, one block from the former location

at a reasonable rental. A complete new stock of merchandise has been purchased and the store opened for business on March 28, 1934.

The helpful cooperation of the City of Birmingham and its various business interests, as well as the cooperation of manufacturers, wholesalers and transportation companies, and the tireless work of the efficient management and operating force of Loveman, Joseph & Loeb, deserve more than this brief comment. We trust that notwithstanding this disaster, the business of this unit will continue the general marked improvement which has been characteristic of its operations during the past several months.

REASONS FOR PROPOSED REORGANIZATION

It is proper for the present administration (which took office on January 13, 1932) to call attention to the fact that the present financial condition of the holding company may be attributed principally to the fact that its period of expansion in 1928 and 1929 came just prior to a great world wide business depression. This depression had an adverse effect on earnings and also largely eliminated the market for capital securities, thus making it impossible to refinance the short term obligations which the company had outstanding.

In the fall of 1928, City Stores Company purchased approximately 51% of the outstanding capital stock of Lit Brothers of Philadelphia, in connection with which purchase it executed two series of notes, one for \$8,000,000.00 bearing interest at 6% and secured by all the Lit Brothers stock purchased and the other in the sum of \$5,000,000.00 bearing interest at 5½%. Both obligations matured on December 1, 1931, the \$5,000,000.00 issue having been previously reduced to \$3,800,000.00.

In June 1929 City Stores Company purchased from R. J. Goerke and associates the entire outstanding capital stock of the Goerke-Kirch Company paying therefor the sum of \$233,152.38 and 22,094 shares of the Common stock of City Stores Company at \$20.75 per share or \$458,451.94, making a total purchase price of \$691,604.32. At the same time it executed the lease above referred to for the store premises occupied by this company at the rate of \$80,000.00 per annum, plus taxes.

At the same time City Stores Company purchased from R. J. Goerke and associates The Goerke Company which operated a department store in Newark, N. J., paying therefor the sum of \$44,809.70 in cash and 71,243 shares of City Stores Company Common stock at \$20.75 per share or \$1,478,292.25, making a total purchase price for the stock of The Goerke Company of \$1,523,101.95. A lease on said property was also executed at that time at the rate of \$180,000. per annum, plus taxes. As previously reported, the operations of The Goerke Company from the beginning of its ownership by City Stores Company and for some time prior thereto showed such heavy losses that receivership ensued on April 28, 1932. As a result City Stores Company has had to stand a book loss of the above mentioned purchase price of The Goerke Company together with a loss on the money advanced by City Stores Company and subsidiaries to The Goerke Company before December 1, 1931 of \$389,197.14. Of the latter amount,

approximately \$65,000.00 has been repaid in the receivership of The Goerke Company and an additional sum of approximately \$25,000.00. is expected from this source.

These losses and the heavy shrinkage in other investments made directly by the company or its subsidiaries before December 1, 1931 were applied against the earned or capital surplus of the subsidiaries and/or City Stores Company principally since January 13, 1932.

In order that stockholders may fully appreciate the need for changes in the capital structure, it is necessary again to call to their attention the fact that in January, 1930, as a result of an appraisal, the then management of City Stores Company added the sum of \$8,092,848.49 to the value of the real estate of Lit Brothers in its consolidated balance sheets from January 31, 1930 to February 1, 1932. This amount was eliminated in the annual report sent to shareholders of City Stores Company for the year ended January 31, 1933. Based on appraisal made in July, 1928, the value of real estate of Loveman, Joseph & Loeb was increased by the sum of \$1,759,668.72 and this sum was taken up on the books of the company and likewise in the consolidated balance sheets. In the case of Maison Blanche Realty Company, there was an appraisal of its real estate in July, 1928 increasing the valuation by the sum of \$2,918,185.32 and this increased figure appeared in the consolidated balance sheet of City Stores Company. In each statement by proper footnote the Auditors called attention to the changes in value as a result of these appraisals. All of these appraisal increases have now been eliminated from the accompanying balance sheets, but attention is called to these facts in order that the stockholders may clearly understand the change in basis of valuation which affects their appraisal of the stocks owned by City Stores Company in the various subsidiaries.

On May 1, 1934 the \$10,000,000.00 collateral 6% notes will mature. In addition to this, obligations in connection therewith aggregating \$940,952.36 will have to be met. These facts, as well as an examination of the balance sheet of City Stores Company, as a holding company (Exhibit I), will make it clear to the stockholders that a financial and capital reorganization of City Stores Company is imperative. The stockholders were notified by the president in letters dated July 21, 1933 and January 26, 1934 of this situation and also that steps were being taken to present to them for their consideration a plan of reorganization. This plan when finally drafted and approved by the directors and noteholders will be submitted to the stockholders as a separate document, and a special meeting will be called to consider said plan.

The holders of both Class "A" voting trust certificates and Common voting trust certificates will have the right to vote at the special meeting for the approval or disapproval of any plan of reorganization as if they were the holders of the shares of stock represented by the voting trust certificates. All documents issued by the Company in connection therewith will be sent not only to the holders of Class "A" and Common stock but also to the holders of Class "A" and Common Voting Trust Certificates.

The voting trusts for Class "A" and Common stockholders up to April 12, 1934 represented 53,274 shares of Class "A" and 582,160 shares of Common stock. The purpose of the voting trusts as established was to provide for the continuance of the Board of Directors on which noteholders as well as stockholders would be properly represented until the note obligations shall have been retired. Under the terms of the charter, Class "A" stockholders have a right to elect a majority of the Board of Directors on account of the dividends on the Class "A" stock being in arrears for more than five quarterly periods and proxies for the regular annual meeting on May 16, 1934 are therefore being sent to both Class "A" and Common stockholders.

Respectfully submitted,

P. H. SAUNDERS,

President.

ERNST & ERNST
ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE

NEW YORK
19 RECTOR STREET

April 16, 1934.

City Stores Company,
New York City.

We have made an examination of accounts pertaining to the assets and liabilities of CITY STORES COMPANY - NEW YORK CITY and SUBSIDIARY COMPANIES as at January 31, 1934. In connection therewith we made a general review of the operating, income and surplus accounts for the fiscal year then ended, but we did not make a detailed audit of the transactions.

Cash balances on deposit and securities were verified, and receivables were reviewed with store managements. Adequate reserves appear to have been provided where needed.

The inventories of merchandise were certified to us by store managements as to condition and salability and have been valued not in excess of the lower of cost or market by the retail inventory method. We made test checks of quantities and generally reviewed the inventory procedure and application of the retail inventory method.

Allowances for depreciation of buildings, fixtures and equipment were provided during the past fiscal year on the basis outlined in the accompanying President's letter to shareholders.

In our opinion, based upon the foregoing and information furnished us, the accompanying consolidated balance sheet of CITY STORES COMPANY and SUBSIDIARIES and the balance sheets of the individual companies fairly present respectively the financial condition of the combined and individual companies at January 31, 1934; on the same basis, the accompanying consolidated income, capital surplus and deficit accounts fairly reflect the results of operations and changes in surplus and deficit during the fiscal year then ended.

ERNST & ERNST.

CITY STORES COMPANY

(Holding Company)

COMPARATIVE CONDENSED BALANCE SHEETS

At Dates as Below

ASSETS

	January 31, 1934	January 31, 1933	February 1, 1932	January 31, 1931
CASH	\$ 34,442.08	\$ 42,998.96	\$ 290,885.04	\$ 399,685.82
ACCOUNTS AND NOTES RECEIVABLE:				
Subsidiary Companies	171,115.42	7,000.00	432,558.01	203,996.54
Other, including cash in closed banks —less reserves	26,910.49	7,888.43	4,487.14	192,053.01
CASH FUNDS IN ESCROW:				
For taxes in connection with funded debt	35,139.34	33,482.38	33,463.70	
INVESTMENT IN SUBSIDIARY COMPANIES:				
At original carrying value.....	25,320,474.75	†25,320,380.75	*26,897,936.70	28,970,777.60
Less: Reserves (Note A).....	11,887,222.93	5,552,260.57		
	<u>13,433,251.82</u>	<u>19,768,120.18</u>	<u>26,897,936.70</u>	<u>28,970,777.60</u>
OTHER INVESTMENT	477,664.22	477,664.22	477,664.22	478,187.72
Less: Allowance	425,922.22	425,922.22	420,390.47	198,993.72
	<u>51,742.00</u>	<u>51,742.00</u>	<u>57,273.75</u>	<u>279,194.00</u>
DEFERRED CHARGES:				
Prepaid and Unamortized Expenses, sundry items, etc.	64,221.06	45,524.82	46,073.13	48,083.26
	<u>\$13,816,822.21</u>	<u>\$19,956,756.77</u>	<u>\$27,762,677.47</u>	<u>\$30,093,790.23</u>

LIABILITIES

NOTES PAYABLE:				
Borrowed Money	\$	\$	\$	\$ 200,000.00
For Interest and Compensation on Collateral Notes	559,585.92			
ACCOUNTS PAYABLE:				
Subsidiary Companies	11,482.31	2,125.53	2,728.69	165,601.77
Other	5,390.32	72,765.79	183,986.04	72,655.44
ACCRUED ACCOUNTS:				
Interest and Expenses on Funded Debt, sundry items, etc.....	386,735.87	100,000.00	129,345.83	117,501.70
FUNDED DEBT.....	10,000,000.00	10,000,000.00	10,000,000.00	11,800,000.00
CAPITAL AND SURPLUS ACCOUNTS:				
Class A Preferred Stock.....	4,282,800.00	4,199,500.00	4,099,558.34	4,066,225.00
Common Stock	1,188,833.00	1,138,833.00	12,490,086.00	12,382,679.12
Surplus— <i>Deficit</i> —Net	<u>2,618,005.21</u>	<u>4,443,532.45</u>	<u>856,972.57</u>	<u>1,289,127.20</u>
	<u>2,853,627.79</u>	<u>9,781,865.45</u>	<u>17,446,616.91</u>	<u>17,738,031.32</u>
	<u>\$13,816,822.21</u>	<u>\$19,956,756.77</u>	<u>\$27,762,677.47</u>	<u>\$30,093,790.23</u>

* Reduction caused mainly by exchange of Lit Brothers Preferred Stock in liquidation of that portion of Company's funded debt held by Lit Brothers.

† Reduction caused mainly by eliminating cost of shares in The Goerke Company, in liquidation.

NOTE "A": January 31, 1933—Reserve provided to give effect to elimination of City Stores Company proportion of \$8,092,848.49 appraisal appreciation of land at Lit Brothers. \$ 5,552,260.57

January 31, 1934—Reserve provided for following:

 To eliminate City Stores Company proportion of appraisal appreciation of properties
 at other subsidiary companies \$4,502,734.48

 To bring net carrying value of investments into agreement with City Stores
 Company proportion of net tangible assets of subsidiaries..... 1,832,227.88

6,334,962.36

\$11,887,222.93

NOTE "B": The above net carrying value exceeds the parent Company's proportion of net tangible assets as shown by audited Statements of subsidiary companies by \$1,733,022.90 at January 31, 1933, and \$1,497,212.25 at February 1, 1932; at January 31, 1931 the carrying value was \$2,683,993.60 less than such value on subsidiary company's audited statements.

NOTE "C": As at January 31, 1933, through the reduction of the common capital stock to a stated value of \$1.00 per share, \$11,133,435.33 was transferred to Capital Surplus.

NOTE "D": The above balance sheets are subject to the footnotes appearing in the respective consolidated balance sheets of City Stores Company and subsidiaries at each of the above dates.

CITY STORES COMPANY, NEW YORK

CONSOLIDATED

January

ASSETS

CURRENT:

Cash	\$ 1,075,815.53	
Notes Receivable—Customers—less Reserve	3,354.22	
Accounts Receivable—Customers (including \$1,933,709.39 of installment accounts)—less Reserve of \$732,979.71.....	5,342,902.19	
Accounts Receivable from Vendors and Tenants; Local and State Warrants;—less Reserve of \$10,000.00.....	181,722.96	
Merchandise Inventories (at retail less accumulated departmental mark-up and reserve of \$79,474.59).....	4,944,607.96	
Marketable Securities (at market).....	82,712.53	
Cash Surrender Value Life Insurance.....	24,952.04	\$11,656,067.43

OTHER ASSETS:

Sundry Investments—less Reserve of \$210,015.83 (\$51,742.00 pledged to 6% Collateral Notes).....	\$ 184,305.32	
Sundry Notes and Accounts Receivable, Deposits, etc.—less Reserve of \$56,113.43	213,840.97	
Claims against Closed Banks—less Reserve of \$313,012.17.....	120,650.63	518,796.92

PERMANENT (book values):

Land, Buildings, Fixtures, Equipment, etc.....	\$24,126,957.85	
Less: Reserve for Depreciation and Amortization.....	5,058,337.43	19,068,620.42

GOOD WILL (Carried on books of subsidiaries in total amount of \$2,792,158.27) 1.00

DEFERRED CHARGES:

Unexpired Insurance Premiums, Inventory of Supplies, Prepaid Expenses, etc.	443,574.63
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NOTE "A": Including \$148,575.00 reserved for Class "A" Preferred Stock and Common Stock of City Stores Company held in Treasury or bought for retirement.

NOTE "B": Undeclared accumulative dividends on City Stores Company Class "A" Preferred Stock amounted to \$910,822.50 at January 31, 1934.

NOTE "C": Under agreement dated January 13, 1932, ratified by the Board of Directors and reported to stockholders under date of February 6, 1932, City Stores Company at the time of each four months renewal is to deliver to noteholders not to exceed 666.67 shares of its Class "A" stock and 20,000 shares of its common stock in addition to a cash payment, likewise with a stipulated maximum amount, as consideration for the renewal of the 6% Collateral Notes. The August 1, 1933 renewal of these notes was for a six months period and an amount of stock and cash was delivered or to be delivered, increased in proportion to the term of renewal.

NOTE "D": To January 31, 1934 the corporation was required by its charter to retire 7,080 shares of Class "A" Preferred Stock of which 1,770 shares had been so retired.

NOTE "E": The above balance sheet is subject to the footnotes appearing on the balance sheets of the individual subsidiary companies.

NOTE "F": City Stores Company was defendant in several lawsuits, with respect to which counsel for the Company advised us that, in their opinion, recoveries by plaintiffs, if any, that may result from such suits will be negligible in amount.

\$31,687,060.40

CITY, AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1934

LIABILITIES

CURRENT:

Notes Payable:

For interest and compensation in connection with renewal of 6% collateral notes.....	\$ 559,585.92		
Banks—For Borrowed Money (subsidiary companies).....	225,000.00		
For store improvements and fixtures.....	35,622.46	\$ 820,208.38	

Accounts Payable	1,679,438.56		
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Accrued Accounts:

Interest on mortgages, taxes, salaries, wages, etc. (subsidiary companies)	\$ 663,345.99		
Interest and renewal charges in connection with 6% collateral notes	386,735.87	1,050,081.86	\$ 3,549,728.80

NOTES AND ACCOUNTS PAYABLE DUE AFTER JANUARY 31, 1935:

For store improvement and fixtures.....	41,453.13		
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6% COLLATERAL NOTES—Due February 1, 1934 (subsequently extended to May 1, 1934; principally secured by capital stocks of directly owned subsidiaries)	10,000,000.00		
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MORTGAGES PAYABLE BY SUBSIDIARY COMPANIES:

(\$220,000.00 payable during year; of 1932, 1933 and 1934 installments a total of \$400,000.00 extended to maturity of mortgages)	9,375,000.00		
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RESERVES:

For redemption of trading stamps, contingencies, etc.	490,542.02		
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DEFERRED INCOME	3,645.46		
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MINORITY INTERESTS:

Preferred Stock of subsidiary companies—outstanding at par....	\$4,350,453.00		
Accrued undeclared dividends to January 31, 1934.....	455,608.94	\$ 4,806,061.94	

Common Stock—subsidiary companies.....	\$ 319,762.00		
Surplus applicable thereto	252,864.26	572,626.26	5,378,688.20

CAPITAL:

CAPITAL STOCK:

CLASS "A" PREFERRED \$3.50 CUMULATIVE—NO PAR VALUE:

Authorized 200,000 shares; Outstanding 85,656 shares (after deducting 1,089 shares in treasury and 1,770 shares retired).....	\$ 4,282,800.00		
(53,214 shares exchanged for Voting Trust Certificates)			

COMMON STOCK—NO PAR VALUE:

Authorized 2,000,000 shares; Outstanding 1,183,208 shares (after deducting 5,625 shares held in treasury).....	1,183,208.00		
(582,160 shares exchanged for Voting Trust Certificates)			

CAPITAL SURPLUS (Note "A"):

Balance January 31, 1933.....	\$5,131,429.77		
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Less: Charges during year per detail (Exhibit IV)	4,502,771.37		
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Balance—January 31, 1934	\$ 628,658.40		
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PROFIT AND LOSS DEFICIT:

Balance January 31, 1933.....	\$2,420,920.22		
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Add: Net Charge thereto during year per detail (Exhibit V)	825,743.39	3,246,663.61	2,618,005.21
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2,848,002.79
\$31,687,060.40

CITY STORES COMPANY, NEW YORK CITY, and Subsidiary Companies

COMPARATIVE CONSOLIDATED INCOME AND EXPENSES

For the three years ended January 31, 1934

	Year Ended January 31, 1934	Year Ended January 31, 1933	Year Ended February 1, 1932
Net Sales (including sales of leased departments)	\$29,524,559.00	\$29,516,633.72	\$35,637,378.52
Cost of Goods Sold	18,887,161.57	19,746,076.71	24,714,051.19
GROSS PROFIT	\$10,637,397.43	\$ 9,770,557.01	\$10,923,327.33
Realized Gross Profit in Installment Contracts.....	27,451.43	43,449.49	110,798.29
TOTAL GROSS PROFIT	\$10,664,848.86	\$ 9,814,006.50	\$11,034,125.62
Selling, Administrative and General Expenses	9,764,036.21	10,080,598.17	11,683,752.60
	\$ 900,812.65	\$ 266,591.67	\$ 649,626.98
OTHER INCOME:			
Interest, Rentals, Dividends, etc.	484,577.20	430,080.19	598,818.78
	\$ 1,385,389.85	\$ 163,488.52	\$ 50,808.20
OTHER CHARGES:			
Interest and expenses on 6% Collateral Notes, Mortgages, and Notes Payable	1,405,155.45	1,399,154.84	1,283,681.32
Provision for doubtful accounts; bad debts written off and sundry charges (net)	253,881.85	280,532.41	617,019.66
Provision for Depreciation and Amortization	401,021.72	417,652.83	491,647.21
Federal Income Tax (on subsidiary)	3,765.99	913.72	3,368.79
	2,063,825.01	2,098,253.80	2,395,716.98
LOSS FOR PERIOD	\$ 678,435.16	\$ 1,934,765.28	\$ 2,446,525.18
Amount applicable to Common Stocks of Subsidiary Companies not owned by City Stores Company—Net.....	72,376.00	136,416.14	168,444.82
LOSS APPLICABLE TO CITY STORES COMPANY	\$ 750,811.16	\$ 1,798,349.14*	\$ 2,278,080.36

* Including Loss of The Goerke Company to April 28, 1932, date of receivership.

NOTE: Reference is directed to pertinent comments relative to the operations of the several companies.

CITY STORES COMPANY, NEW YORK CITY, and Subsidiary Companies

ANALYSIS OF CONSOLIDATED CAPITAL SURPLUS

For the fiscal year ended January 31, 1934

CAPITAL SURPLUS—JANUARY 31, 1933.....		\$ 5,131,429.77
DEDUCTIONS:		
Writing out of store property accounts remainder of appreciation included therein on basis of appraisals in prior years (after allowing for minority interests share)	\$4,502,734.48	
From change in minority interest in subsidiary companies during year—net	36.89	4,502,771.37
CAPITAL SURPLUS—JANUARY 31, 1934		<u>\$ 628,658.40</u>

ANALYSIS OF CONSOLIDATED PROFIT AND LOSS DEFICIT

For the fiscal year ended January 31, 1934

BALANCE—JANUARY 31, 1933.....		\$2,420,920.22
ADDITIONS:		
Consolidated loss applicable to City Stores Company for the fiscal year ended January 31, 1934.....	\$750,811.16	
Appropriation to cover special expenditures at Lit Brothers during 1933 for rehabilitation of premises and additional allowance for doubtful accounts of prior years	140,000.00	
Expenses incidental to extension of Three Year Notes.....	77,299.50	
Increase in minority interest in Preferred Stock of subsidiary companies for accumulated undeclared and unpaid dividends	24,433.47	
Additional Federal Income Tax—Prior Year—Net.....	1,040.67	\$993,584.80
DEDUCTIONS:		
Adjustment to record estimated recoveries from The Goerke Company, in liquidation	\$79,492.96	
Adjustment of store property accounts of a subsidiary company in connection with settlement of Federal Income Taxes of prior years	28,176.04	
Increase during year of market value of marketable securities....	23,748.50	131,417.50
		<u>\$862,167.30</u>
Less: Proportion of items in above applicable to minority interest—net	36,423.91	825,743.39
PROFIT AND LOSS DEFICIT—JANUARY 31, 1934.....		<u>\$3,246,663.61</u>

LIT BROTHERS, PHILADELPHIA, PA.

CONSOLIDATED

January

ASSETS

CURRENT:

Cash	\$	708,931.23	
Accounts Receivable—Customers (including \$1,231,839.89 of installment accounts)— <i>Less</i> : Reserve of \$550,823.70 for doubtful.....		3,672,228.47	
Merchandise Inventories (at retail less accumulated departmental mark up)		2,439,069.96	
Marketable Securities—At Market		79,722.06	\$ 6,899,951.72

OTHER ASSETS:

Sundry Investments— <i>Less</i> : Reserve of \$192,948.33.....	\$	80,118.70	
Sundry Notes and Accounts Receivable, Cash in Closed Banks, etc. <i>Less</i> : Reserve of \$314,853.87		128,546.18	208,664.88

PERMANENT:

Land, Buildings, Fixtures, Equipment, etc. (book value).....	\$16,585,436.36		
<i>Less</i> : Reserve for Depreciation	2,672,397.23	13,913,039.13	

GOOD WILL—Value on books.....		1,046,783.23	
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DEFERRED CHARGES:

Unamortized Mortgage Expense, Unexpired Insurance Premiums, Supplies and Prepaid Expenses		257,239.47	
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NOTE "A": Accumulative unpaid and undeclared dividends at January 31, 1934 amounted to \$934,833.54 of which \$571,140.00 is applicable to Preferred Shares owned by City Stores Company.

NOTE "B": Before reserving \$2,160,502.00 for Preferred Stock and Common Stock held in treasury.

NOTE "C": No contingent liabilities reported.

\$22,325,678.43

AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1934

LIABILITIES

CURRENT:

Accounts Payable—Trade	\$ 917,194.79
Accrued Accounts	459,999.83
	<u>\$ 1,377,194.62</u>

AFFILIATED COMPANY:

Account Payable	2,020.12	\$1,379,214.74
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DEFERRED LIABILITY:

Accounts Payable—Due after January 31, 1935	26,994.00
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RESERVE FOR REDEMPTION OF TRADING STAMPS AND CONTINGENCIES.....

390,027.25

MORTGAGES PAYABLE (\$160,000.00 payable during year).....

6,905,000.00

DEFERRED INCOME

3,645.46

CAPITAL:

CAPITAL STOCK:

Preferred—6% Cumulative (\$100.00 par value)

Authorized and Issued.....	\$12,000,000.00	
Less: Held in treasury.....	2,159,647.00	\$ 9,840,353.00

Common (No par value)

1,000,000 shares authorized and issued—less 855 shares held in treasury	999,145.00
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\$10,839,498.00

SURPLUS (Note "B")

Balance January 31, 1933 (including \$6,205.97 of subsidiary companies)	\$2,847,054.47
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DEDUCT:

Appropriation to cover special expenditures for rehabilitation of premises and additional allowance for doubtful accounts of prior years

\$140,000.00

Additional Federal Income Tax assessments of prior years and sundry—Net..

1,883.22

\$141,883.22

Less: Profit for the period from February 1, 1933 to January 31, 1934 of \$49,454.23 and adjustment of Marketable Securities to market value of \$26,673.50

76,127.73

65,755.49

2,781,298.98

13,620,796.98

\$22,325,678.43

MAISON BLANCHE COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

January 31, 1934

A S S E T S			
CURRENT:			
Cash	\$	146,458.30	
Accounts Receivable—Customers (including \$217,187.37 of installment accounts)— <i>Less</i> : Reserve of \$35,000.00.....		559,671.51	
Merchandise Inventories (at retail less accumulated departmental mark-up and reserve of \$40,000.00)	916,709.76	\$1,622,839.57	
AFFILIATED COMPANIES:			
Accounts Receivable		157.38	
OTHER ASSETS:			
Investments in Other and Affiliated Companies.....	\$	45,026.00	
Sundry Accounts Receivable and Advances, Cash in Closed Banks, etc. (less reserve of \$6,250.57)	36,945.53	81,971.53	
INVESTMENT IN SUBSIDIARY COMPANIES: * 99.43% Owned † Entirely Owned			
Capital Stock (book carrying value)	\$894,575.00	\$2,074,411.38	\$2,968,986.38
Account Receivable		63.33	63.33
	\$894,575.00	\$2,074,474.71	2,969,049.71
PERMANENT:			
Furniture, Fixtures, Delivery Equipment and Improvements (book value)	\$	658,185.37	
<i>Less</i> : Reserve for Depreciation and Amortization.....	352,295.35	305,890.02	
GOODWILL—Value on books		376,031.24	
DEFERRED CHARGES:			
Prepaid Expenses and Unexpired Insurance Premiums.....		32,985.64	
		<u>\$5,388,925.09</u>	
L I A B I L I T I E S			
CURRENT:			
Accounts Payable	\$	214,220.46	
Accrued Accounts		40,823.33	
Dividend Payable—February 1, 1934		120,000.00	
	\$	375,043.79	
AFFILIATED COMPANIES:			
Accounts Payable	35,069.62	\$ 410,113.41	
RESERVE FOR INSURANCE, ETC.		8,550.00	
CAPITAL:			
CAPITAL STOCK:			
Common Stock (Par Value \$50.00)			
Authorized 120,000 shares—80,000 shares issued.....	\$4,000,000.00		
SURPLUS:			
Capital		250,000.00	
Earned:			
Balance January 31, 1933	\$694,791.58		
Profit for period from February 1, 1933 to January 31, 1934	145,470.10		
	\$840,261.68		
<i>Less</i> : Dividend Declared	120,000.00	720,261.68	4,970,261.68
		<u>\$5,388,925.09</u>	

* Represents 7,085 shares of Common Stock of Maison Blanche Realty Company.

† Represents 5,000 shares of Preferred and 25,000 shares of Common Stock of B. Lowenstein & Bros., Inc.

NOTE "A": The Company was contingently liable as endorser on Acceptance Payable of Maison Blanche Realty Company in the amount of \$20,000.00.

MAISON BLANCHE REALTY COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

January 31, 1934

A S S E T S			
CURRENT:			
Cash	\$ 7,279.29		
Rents receivable from tenants— <i>Less</i> : Reserve of \$10,000.00 for doubtful..	18,662.66	\$	25,941.95
AFFILIATED COMPANY:			
Account Receivable			29,236.98
OTHER ASSETS:			
Sundry accounts receivable, Cash in Closed Banks— <i>Less</i> : Reserve of \$9,500.00			29,777.48
PERMANENT:			
Land, Buildings, Fixtures, Equipment, etc. (book value)	\$3,324,826.21		
<i>Less</i> : Reserve for Depreciation	636,022.18		2,688,804.03
DEFERRED CHARGES:			
Inventory of Supplies, Unexpired Insurance Premiums, etc.....			13,581.27
			<u>\$2,787,341.71</u>

LIABILITIES			
CURRENT:			
Acceptance Payable—Improvements	\$ 20,000.00		
Accounts Payable	2,416.68		
Accrued Accounts	33,173.76	\$	55,590.44
FIRST MORTGAGE 5½% NOTES (Note "A"):			
Maturing \$40,000.00 semi-annually on May 1, and November 1 to November 1, 1943; \$870,000.00 due May 1, 1944 (Next installment of \$40,000.00 due November 1, 1934)			1,630,000.00
DEFERRED REAL ESTATE ASSESSMENT:			
Payable in six equal annual installments.....			4,332.73
RESERVE FOR MORTGAGE INTEREST DEFERRED			25,122.38
CAPITAL:			
CAPITAL STOCK:			
Common Stock:			
Authorized	\$ 750,000.00		
<i>Less</i> : In Treasury	37,500.00	\$	712,500.00
SURPLUS:			
From Appraisal of Properties:			
Balance January 31, 1933.....	\$2,752,968.94		
<i>Deduct</i> : Elimination of remainder of excess of appraised values of properties over book values.....	2,752,968.94	—0—	
Earned (Note "B"):			
Balance January 31, 1933.....	\$ 348,287.95		
Profit for period from February 1, 1933 to January 31, 1934	54,258.21		
	\$ 402,546.16		
<i>Less</i> : Dividends Paid	42,750.00	359,796.16	1,072,296.16
			<u>\$2,787,341.71</u>

NOTE "A": Payment of \$160,000.00 on First Mortgage Notes maturing November 1, 1932, May 1, 1933, November 1, 1933 and May 1, 1934 was extended by holder thereof to May 1, 1944.

NOTE "B": Including \$37,500.00 reserved for common stock held in treasury.

NOTE "C": No contingent liabilities reported.

LOVEMAN, JOSEPH & LOEB,

BALANCE

January

A S S E T S

CURRENT:

Cash	\$	74,839.77	
Notes Receivable—Customers— <i>Less</i> : Reserve of \$350.00 for doubtful.....		3,102.86	
Accounts Receivable—Customers (including \$114,265.87 of installment accounts)— <i>Less</i> : Reserve of \$37,238.44 for doubtful.....		368,139.38	
State, Local and School Warrants		101,561.55	
Merchandise Inventories (At retail less accumulated departmental mark-up)		439,101.71	
Marketable securities—At Cost (Market Value \$3,064.32).....		2,990.47	
Cash Surrender Value of Life Insurance.....		24,952.04	\$1,014,687.78

OTHER ASSETS:

Investments in Other Companies— <i>Less</i> : Reserve of \$14,567.50.....	\$	4,123.29	
Sundry Notes and Accounts Receivable, etc. (partly secured) <i>Less</i> : Reserve of \$1,400.00		55,552.97	59,676.26

AFFILIATED COMPANY:

Capital Stock—Market value (2,600 shares City Stores Company Common Stock)	\$	4,550.00	
Account Receivable		105.00	4,655.00

PERMANENT:

Land, Buildings, Fixtures, Equipment, etc. (book value).....	\$1,759,253.83	
<i>Less</i> : Reserve for Depreciation	478,188.06	1,281,065.77

GOOD WILL—Value on books		800,000.00
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DEFERRED CHARGES:

Inventory of Supplies, Unexpired Insurance Premiums, Prepaid Expenses, etc.		20,865.58
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\$3,180,950.39

NOTE "A": Unpaid 1932, 1933 and 1934 installments on mortgage totalling \$80,000.00 extended by holder of mortgage until maturity thereof.

NOTE "B": Excluding charge of \$720,100.00 for preferred stock held in treasury.

NOTE "C": Notes Payable for Store Fixtures are secured by lease sale contract covering fixtures for which the notes were given in payment.

BIRMINGHAM, ALABAMA

SHEET

31, 1934

LIABILITIES

CURRENT:

Notes Payable—Banks	\$ 125,000.00
Notes Payable—Fixtures (Note "C")	8,428.80
Accounts Payable	154,825.26
Accrued Accounts	36,024.44
	<u>\$ 324,278.50</u>

AFFILIATED COMPANY:

Account Payable	2,747.99	\$ 327,026.49
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NOTES PAYABLE—Due after January 31, 1935:

For Store Fixtures (Note "C")	7,726.40
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FIRST MORTGAGE—5% due 1934-1938—Note "A":

On land and buildings—(\$20,000.00 payable during year)	840,000.00
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RESERVE FOR CONTINGENCIES, DEFERRED INTEREST, PENSIONS, ETC.....	54,575.77
--	-----------

CAPITAL:

CAPITAL STOCK:

Preferred Stock 7% Cumulative—			
\$100.00 par value—Authorized and			
Issued	\$1,000,000.00		
Less: In Treasury	720,100.00	\$ 279,900.00	
Common Stock—\$100.00 par value			
Authorized	\$2,000,000.00		
Less: Unissued	378,000.00	1,622,000.00	\$1,901,900.00

SURPLUS—(Note "B"):

From Appraisal of Properties:

Balance January 31, 1933.....	\$1,745,652.89
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Deduct: Elimination by order of Board of Directors
of remainder of excess of appraised value of prop-
erties over book values.....

1,745,652.89	—0—
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Earned:

Balance January 31, 1933	\$ 55,883.06			
Profit for period from February 1,				
1933 to January 31, 1934.....	\$ 77,428.75			
Adjustment to bring Permanent As-				
sets into agreement with Federal				
Agents' report of prior year.....	28,176.04	105,604.79	49,721.73	1,951,621.73
				<u>\$3,180,950.39</u>

NOTE "D": Accumulative unpaid and undeclared dividends at January 31, 1934 on the 7% Cumulative Preferred Stock amounted to \$40,818.75.

NOTE "E": The Company was defendant in several damage suits, the total loss from which, if any, was not determinable.

NOTE "F": On March 10, 1934, the store premises and contents were entirely destroyed by fire. Fire insurance in force at that date adequately covered book values of insurable items of inventories, buildings, fixtures, etc., and this with Use and Occupancy insurance, is now in process of adjustment.

B. LOWENSTEIN & BROS., INC., MEMPHIS, TENN.

BALANCE SHEET

January 31, 1934

A S S E T S			
CURRENT:			
Cash	\$	55,478.89	
Accounts Receivable—Customers (including \$163,881.12 of installment accounts)— <i>Less</i> : Reserve of \$37,309.09 for doubtful.....		425,061.64	
Merchandise inventories (At retail less accumulated departmental mark-up and reserve of \$20,000.00).....		620,335.57	\$1,100,876.10
OTHER ASSETS:			
Investments in Other Companies— <i>Less</i> : Reserve of \$2,500.00.....	\$	3,747.33	
Sundry Notes and Accounts Receivable, Deposits, etc.....		23,669.50	27,416.83
PERMANENT:			
Fixtures, Equipment, Improvements, etc. (book value).....	\$	893,627.82	
<i>Less</i> : Reserves for Depreciation and Amortization.....		510,153.63	383,474.19
GOODWILL—Value on books			150,000.00
DEFERRED CHARGES:			
Inventory of Supplies, Unexpired Insurance Premiums, Prepaid Expenses, etc.			26,312.23
			<u>\$1,688,079.35</u>
L I A B I L I T I E S			
CURRENT:			
Accounts Payable	\$	184,842.24	
Accrued Accounts		49,160.77	
			\$ 234,003.01
AFFILIATED COMPANIES:			
Accounts Payable		3,630.20	\$ 237,633.21
RESERVE FOR INSURANCE, ETC.			5,240.97
CAPITAL:			
CAPITAL STOCK:			
Preferred 8% Cumulative—\$100.00 par value			
Authorized	\$600,000.00		
<i>Less</i> : Unissued	100,000.00	\$ 500,000.00	
Common Stock—No Par Value			
25,000 shares Authorized and Issued.....	1,500,000.00	\$2,000,000.00	
DEFICIT:			
Deficit—January 31, 1933	\$	554,794.83	
<i>Less</i> : Profit for period from February 1, 1933 to January 31, 1934 (Note "B")	—0—	554,794.83	1,445,205.17
			<u>\$1,688,079.35</u>

NOTE "A": Dividends on Preferred Stock (entirely owned by Maison Blanche Company) have been paid to January 1, 1924.

NOTE "B": Under an agreement with lessor, the rental for store premises for year ended January 31, 1934 was reduced to a fixed sum, plus all net earnings up to a certain maximum. Under this arrangement the total net earnings for that year in the amount of \$22,202.54 have been appropriated in the above statement as additional rental in full satisfaction of lease requirements for that period.

NOTE "C": No contingent liabilities reported.

KAUFMAN-STRAUS COMPANY, INC., LOUISVILLE, KY.

BALANCE SHEET

January 31, 1934

A S S E T S			
CURRENT:			
Cash	\$	37,049.94	
Notes Receivable—Customers		251.36	
Accounts Receivable—Customers (including \$33,504.74 of installment accounts) Less: Reserve of \$14,341.87 for doubtful.....		213,456.91	
Merchandise Inventories (At retail less accumulated departmental mark-up and reserve of \$10,000.00)		359,591.03	\$ 610,349.24
AFFILIATED COMPANY:			
Accounts Receivable			542.68
OTHER ASSETS:			
Investment in Other Companies	\$	2,573.00	
Sundry Accounts Receivable		2,713.61	5,286.61
PERMANENT:			
Improvements, Furniture and Fixtures, Delivery Equipment (book value)	\$	654,920.53	
Less: Reserve for depreciation and amortization.....		303,766.82	351,153.71
GOOD WILL—Value on books			419,343.80
DEFERRED CHARGES:			
Inventory of supplies, unexpired insurance premiums, prepaid expenses, etc.			20,555.57
			<u>\$1,407,231.61</u>
L I A B I L I T I E S			
CURRENT:			
Notes Payable—Bank	\$	100,000.00	
Notes Payable—Equipment Purchased (Note "C").....		7,193.66	
Accounts Payable		99,266.44	
Accrued Accounts		37,238.06	
	\$	243,698.16	
AFFILIATED COMPANIES:			
Accounts Payable		1,723.19	\$ 245,421.35
CAPITAL:			
CAPITAL STOCK:			
Preferred 7% Cumulative—\$100.00 par value			
Authorized		\$750,000.00	
Less: Unissued	\$247,400.00		
Retired	3,700.00	251,100.00	\$ 498,900.00
Common—Authorized and Issued			1,000,000.00
			<u>\$1,498,900.00</u>
DEFICIT (Note "B"):			
Balance January 31, 1933.....	\$340,031.47		
Profit for period from February 1, 1933 to January 31, 1934		2,941.73	337,089.74
			<u>1,161,810.26</u>
			<u>\$1,407,231.61</u>

NOTE "A": Accumulative unpaid and undeclared dividends at January 31, 1934 on the 7% Cumulative Preferred Stock amounted to \$104,769.00 of which \$53,907.00 is applicable to Preferred shares owned by City Stores Company.

NOTE "B": Before reserving \$3,700.00 for Preferred Stock retired.

NOTE "C": Notes Payable in the amount of \$5,339.62 for Store Fixtures are secured by conditional bills of sale.

NOTE "D": No contingent liabilities reported.

GOERKE-KIRCH COMPANY, ELIZABETH, N. J.

BALANCE SHEET

January 31, 1934

A S S E T S				
CURRENT:				
Cash	\$	7,473.48		
Accounts Receivable—Customers (including \$151,406.27 of installment accounts) Less: Reserve of \$36,642.48 for doubtful.....		165,843.03		
Merchandise Inventories (at retail less accumulated departmental mark-up and reserve of \$9,474.59)		169,775.93	\$343,092.44	
OTHER ASSETS:				
Sundry Note and Accounts Receivable, etc.....		25,217.30		
PERMANENT:				
Fixtures, Equipment, Improvements, etc. (book value).....	\$	184,831.60		
Less: Reserve for Depreciation and Amortization.....		91,955.80	92,875.80	
DEFERRED CHARGES:				
Unexpired insurance premiums, inventory of supplies, prepaid expenses, etc.....		7,775.31		
			<u>\$468,960.85</u>	
L I A B I L I T I E S				
CURRENT:				
Accounts Payable—Trade Creditors	\$	93,672.05		
Accounts Payable—Store Fixtures Purchased (Note "B").....		3,000.00		
Accrued Accounts		5,285.37		
		<u>\$101,957.42</u>		
AFFILIATED COMPANIES:				
Accounts Payable (Note "C").....		53,205.17	\$155,162.59	
ACCOUNTS PAYABLE—Due after January 31, 1935:				
For Store Fixtures (Note "B").....			2,400.00	
RESERVE FOR CONTINGENCIES			37,025.65	
CAPITAL:				
CAPITAL STOCK:				
Common Stock—No Par Value				
Authorized and Issued 1,000 shares.....	\$	541,400.00		
SURPLUS-DEFICIT:				
Capital Surplus	\$	16,846.64		
Operating Deficit:				
Balance January 31, 1933.....	\$	189,358.27		
Loss for period from February 1, 1933 to				
January 31, 1934		94,515.76	283,874.03	267,027.39
				<u>274,372.61</u>
				<u>\$468,960.85</u>

NOTE "A": For the fiscal year ended January 31, 1934 the company changed its basis of accounting with respect to installment sales, all profit on such sales being included in the Income Account together with \$27,451.43 of estimated profits realized by cash collections in that year on installment accounts carried forward from the previous year; in prior years only such portion of profit as was represented by cash collections on those sales was thus included. The balance of Deferred Income on unpaid installment sales of prior years has been carried to Reserve for Contingencies on the books and in the above Balance Sheet.

NOTE "B": Accounts Payable for store equipment are secured by conditional bills of sale.

NOTE "C": Includes \$51,167.92 due to City Stores Company which has been subordinated by that company to general creditors.

NOTE "D": The company was contingently liable for customers accounts sold to finance company on which it received advances of \$96.69.

CITY STORES MERCANTILE COMPANY, NEW YORK CITY

BALANCE SHEET

January 31, 1934

ASSETS

CURRENT:

Cash	\$ 3,862.55	
Merchandise Inventories	24.00	\$ 3,886.55

AFFILIATED COMPANIES:

Accounts Receivable	27,709.84
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OTHER ASSETS:

Account Receivable—Employee	66.00
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PERMANENT:

Furniture and Fixtures (Book Value)	\$ 15,876.13	
Less: Reserve for Depreciation	13,558.36	2,317.77

DEFERRED CHARGES:

Prepaid Taxes	14.50
	<u>\$ 33,994.66</u>

LIABILITIES

CURRENT:

Accounts Payable	\$ 4,557.82	
Accrued Accounts	355.25	\$ 4,913.07

CAPITAL:

CAPITAL STOCK:

Common Stock—Par Value \$100.00—Authorized 1,250 shares—250 shares Issued	\$ 25,000.00
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SURPLUS:

Balance—January 31, 1933	\$24,156.09			
Loss for period from February 1, 1933 to January 31, 1934	\$ 74.50			
Dividends Paid	20,000.00	20,074.50	4,081.59	29,081.59
				<u>\$ 33,994.66</u>

NOTE: No contingent liabilities reported.

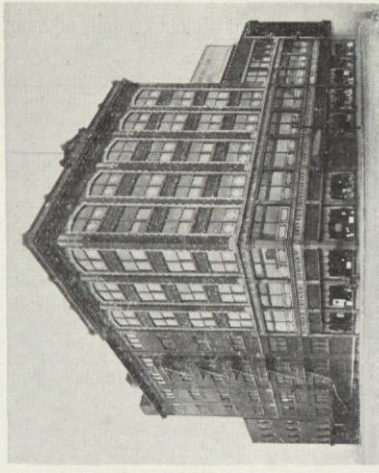
KENVILLE REALTY COMPANY, LOUISVILLE, KY.

BALANCE SHEET

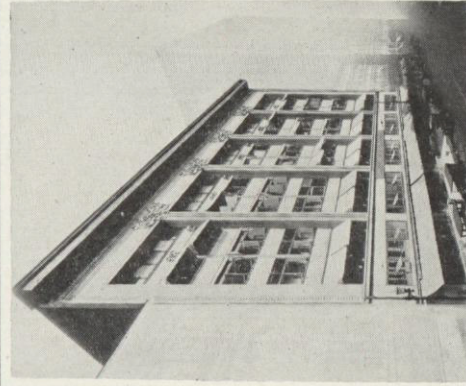
January 31, 1934

ASSETS			
AFFILIATED COMPANY:			
Account Receivable		\$	1,441.35
PERMANENT:			
Land			50,000.00
DEFERRED CHARGES:			
Prepaid Expenses			24.00
			<u>\$51,465.35</u>
LIABILITIES			
ACCRUED ACCOUNTS	\$	1,285.18	
AFFILIATED COMPANIES:			
Accounts Payable	592.68	\$	1,877.86
CAPITAL:			
CAPITAL STOCK:			
Common Stock—\$100.00 Par Value—Authorized and Issued.....	\$	50,000.00	
SURPLUS:			
Capital:			
Balance January 31, 1933.....	\$20,000.00		
Deduct: Elimination of prior year adjustment to land account	20,000.00	—0—	
Earned:			
Balance January 31, 1933.....	\$	916.60	
Loss for period from February 1, 1933 to January 31, 1934	<u>1,329.11</u>	<u>412.51</u>	49,587.49
			<u>\$51,465.35</u>

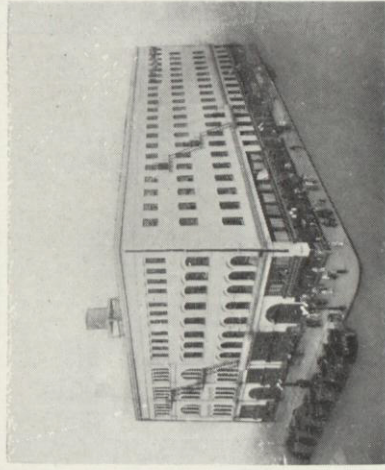
NOTE: No contingent liabilities reported.



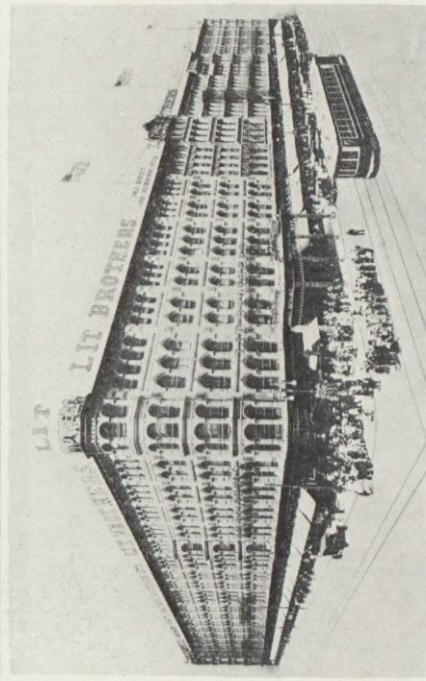
GOERKE-KIRCH COMPANY - ELIZABETH, N.J.



KAUFMAN-STRAUS CO., INC. - LOUISVILLE, KY.

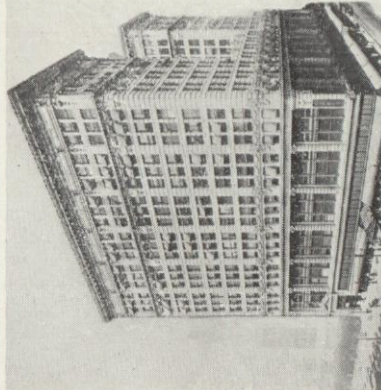


LOVEMAN-JOSEPH & LOEB - BIRMINGHAM, ALA.

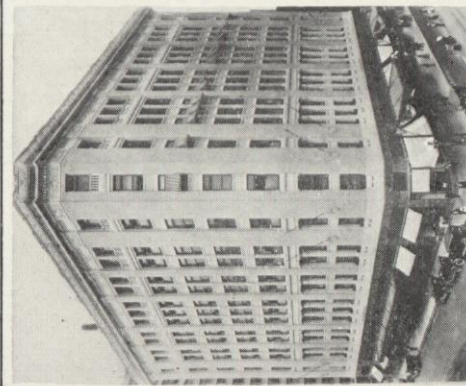


LIT BROS. - PHILADELPHIA, PA.

RETAIL UNITS
*Controlled and
Operated by*
**CITY STORES
COMPANY**



MAISON BLANCHE COMPANY - NEW ORLEANS, LA.



B. LOWENSTEIN & BROS., INC. - MEMPHIS, TENN.

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